

Town Of Star City, West Virginia Policemen's Pension and Relief Fund

Actuarial Valuation Report
for the Year Beginning July 1, 2017



October 5, 2018

Ms. Leah Hassler
City Treasurer
370 Broadway Avenue
Star City, WV 26505

Chief Thomas M. Varndell
Pension Board Secretary
Town of Star City Policemen's Pension and Relief Fund

**Subject: Town of Star City Policemen's Pension and Relief Fund
Actuarial Valuation Report for the Year Beginning July 1, 2017**

Dear Ms. Hassler and Chief Varndell:

Upon the request of the Municipal Pensions Oversight Board, we have performed an actuarial valuation as of July 1, 2017, for the Town of Star City, West Virginia Policemen's Pension and Relief Fund ("Fund" or "Plan"). This actuarial valuation has been performed in accordance with the West Virginia Code Chapter 8, Article 22, Sections 16 through 28, inclusive.

In accordance with West Virginia Code §8-22-20, this actuarial valuation report provides information on:

- The sponsor's funding requirements for the fiscal year ending June 30, 2019
- The Fund's eligibility to receive an allocation of the premium tax for the fiscal year ending June 30, 2019
- The Fund's eligibility to provide supplemental benefits for the plan year beginning July 1, 2019

West Virginia Code §8-22-20(c)(4) requires a review of the actuarial assumptions and methods at least once every five years and that the Actuary shall provide a report to the oversight board with recommendations on any changes to the actuarial process. Consequently, an experience review was performed for the period July 1, 2009, through June 30, 2014. The actuarial assumptions and methods were recommended by the actuary, in the report *2016 Experience Review for the Years July 1, 2009, to July 1, 2014*, approved by the Municipal Pensions Oversight Board, and became effective for the actuarial valuation as of July 1, 2015.

This report is based on the sponsor's election to finance benefit obligations using the Optional funding policy as defined in West Virginia Code §8-22-20 (e)(1).

This actuarial valuation is based upon:

Plan Member Data – Data for active members and persons receiving benefits from the Fund as of June 30, 2017, was provided by the Fund's staff. We have tested this data for reasonableness.

Asset Values – A reconciliation of market value of assets during the plan year ended June 30, 2017, and assets held as of June 30, 2017, by investment category, was provided by the Fund.

Plan Provisions – A summary of the key plan provisions valued are set forth in Section VI of the report: Summary of Principal Plan Provisions.

Actuarial Methods – Fund liabilities were measured using the Entry-Age Normal Actuarial Cost Method. The actuarial valuation was based on the market value of assets. The actuarial methods used in the actuarial valuation are set forth in Section V of the report: Actuarial Assumptions and Methods.

Actuarial Assumptions – The actuarial assumptions used include a discount rate of 6.50%. The actuarial assumptions used in the actuarial valuation are set forth in Section V of the report: Actuarial Assumptions and Methods.

The actuarial valuation results disclosed in this report are based on the data and actuarial assumptions and methods described above, and upon the provisions of the Plan as of the actuarial valuation date. Based on these items, we certify these results to be true and correct.

To the best of our knowledge, this actuarial statement is complete and accurate, and has been prepared in accordance with generally accepted actuarial principles and practices.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

This report should not be relied on for any purpose other than the purpose stated.

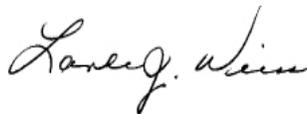
The signing actuaries are independent of the plan sponsor.

Alex Rivera and Lance J. Weiss are members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Sincerely,



Alex Rivera, FSA, EA, MAAA, FCA
Senior Consultant



Lance Weiss, EA, MAAA, FCA
Senior Consultant



Contents

Section	Pages	Items
		Transmittal Letter
I		Actuarial Valuation Results as of July 1, 2017
	1-6	Executive Summary of Valuation Results as of July 1, 2017
	7	Schedule A: Summary of Key Valuation Results
	8	Schedule B: (Gain)/Loss Analysis
II		Actuarial Projections
	1-5	Optional Funding Policy Projections
III		Actuarially Determined Contribution for GASB Statement 67/68 Reporting
	1	Schedule C: Funding Progress and Employer Contributions
IV		Actuarial Valuation Data as of July 1, 2017
	1	Schedule D: Reconciliation of Assets
	2	Schedule E: Assets Held by Category
	3	Schedule F: Summary of Participant Activity
	4	Schedule G: Distribution of Actives
	5	Schedule H: Participants Summary
V	1-5	Actuarial Assumptions and Methods
VI	1-2	Summary of Principal Plan Provisions

SECTION I

ACTUARIAL VALUATION RESULTS AS OF JULY 1, 2017

Executive Summary of Valuation Results as of July 1, 2017

Upon the request of the Municipal Pensions Oversight Board, we have performed an actuarial valuation as of July 1, 2017, for the Town of Star City, West Virginia Policemen's Pension and Relief Fund ("Fund" or "Plan").

In accordance with West Virginia Code §8-22-20, this actuarial valuation report provides information on:

- The sponsor's funding requirements for the fiscal year ending June 30, 2019
- The Fund's eligibility to receive an allocation of the premium tax for the fiscal year ending June 30, 2019
- The Fund's eligibility to provide supplemental benefits for the plan year beginning July 1, 2019

This report is based on the sponsor's election to finance benefit obligations using the Optional funding policy as defined in West Virginia Code §8-22-20 (e)(1). The sponsor changed the funding policy used to determine contributions from the Alternative funding policy to the Optional funding policy, effective March 27, 2018.

The key features of the Optional funding policy, effective for plan years beginning after January 1, 2010, are summarized below:

- The current local Plan is closed to new employees
- New employees are covered in the multiple employer statewide plan – *Municipal Police Officers and Firefighters Retirement System*
- Benefits and expenses in the closed local Plan are financed by contributions made from the following sources:
 - Employee contributions of 7.0% of pay for members hired before January 1, 2010, increased by up to 2.5% of pay if elected by the Board of Trustees of the Plan. Employees hired on or after January 1, 2010, contribute 9.5% of pay;
 - The premium tax allocation assigned to the Fund for the plan year; and
 - Employer contributions equal to the normal cost, net of employee contributions, plus a 40-year closed period amortization from January 1, 2010, on a level dollar basis, of the unfunded actuarial accrued liability net of premium tax allocation applicable to the plan year.

Executive Summary of Valuation Results as of July 1, 2017 (Continued)

The following table provides the Plan's funded status:

Funded Status as of:	July 1, 2017
Assets	\$1,551,339
Actuarial Accrued Liability	\$1,993,170
Unfunded Actuarial Accrued Liability	\$441,831
Funded Ratio	77.83%

The following table provides the estimated employer contributions for the fiscal year ended June 30, 2018, under the Optional funding policy, based on the July 1, 2016 actuarial valuation produced by GRS:

Employer Contributions for FYE:	June 30, 2018
Estimated Payroll for PYE 06/30/2017	\$232,406
Employer Normal Cost for PYE 06/30/2017	\$53,296
Employer Normal Cost Rate for PYE 06/30/2017	22.9%
Amortization of Unfunded Actuarial Liability for PYE 06/30/2017	\$33,988
State Insurance Premium Tax Allocation for FYE 06/30/2018	\$49,907
Estimated Employer Contribution for FYE 06/30/2018	\$53,296

The sponsor elected the Optional funding policy on March 27, 2018. Fiscal year end 2018 contributions are based on the Alternative funding policy contributions before March 27, 2018, and the Optional funding policy contributions after March 27, 2018. The following table provides the estimated employer contributions for the fiscal year ended June 30, 2019, under the Optional funding policy, based on the July 1, 2017 actuarial valuation produced by GRS:

Estimated Employer Contributions for FYE:	June 30, 2019
Estimated Payroll for PYE 06/30/2018	\$239,643
Employer Normal Cost for Active Members for PYE 06/30/2018	\$55,563
Employer Normal Cost Rate for PYE 06/30/2018	23.2%
Amortization of Unfunded Actuarial Liability for PYE 06/30/2018	\$31,956
State Insurance Premium Tax Allocation for FYE 06/30/2019	\$54,437
Estimated Employer Contribution for FYE 06/30/2019 ^a	\$55,563

^a The Employer Contribution cannot be less than the Employer Normal Cost.

The actual minimum employer contribution for fiscal year ending June 30, 2019, will be based on the actual payroll for the plan year ended June 30, 2018.

Executive Summary of Valuation Results as of July 1, 2017 (Continued)

Commentary on Premium Tax Allocation

Under §8-22-19 of the West Virginia Code, the plan sponsor is required to deposit the statutory contribution on a monthly basis at a rate of one-twelfth of the annual requirement, in order to receive the premium tax allocation from the Municipal Pensions Security Fund. Revenues which are specifically collected for the Fund, including employee payroll contributions, must be deposited within five days of receipt.

Based upon discussions with the Municipal Pensions Oversight Board (MPOB), we understand the annual premium tax allocation is determined by September 1st each year. Municipalities can begin invoicing the MPOB for their share of the premium tax allocation after receiving their state provided actuarial study and after the municipality has made employer contributions to the local Plan. Each municipal treasurer shall use the invoice template provided by the MPOB to begin drawing down the state allocation for the municipal pension plan. This July 1, 2017, Actuarial Report from GRS is to be used by municipal pension plans to draw down the September 1, 2018, State Premium Tax Allocation which is allocated in Fiscal Year 2019. The actuarial valuation and projection results assume the sponsor will make the statutory contributions on a monthly basis in accordance with statutes, and will be eligible to receive the premium tax allocation.

Commentary on Solvency Projections and Supplemental Benefits

Under § 8-22-26a of the West Virginia Code, all retirees, surviving spouses and disabled pensioners are eligible for Supplemental Benefits that include automatic cost-of-living benefits commencing on the first day of July following two years of retirement. The benefit equals the percentage increase in the Consumer Price Index, limited to 4.0 percent (2.0 percent for certain disabled pensioners), multiplied by the sum of the allowable amount (first \$15,000 of initial benefits paid) and the accumulated supplemental pensions paid in prior years.

The Court of Appeals decision requires that Supplemental Benefits be provided on “the allowable amount of the first \$15,000 of the total annual pension paid in addition to the accumulated supplemental pension from the previous years.” The decision implies that compound cost-of-living increases should be applied to both the allowable amount of \$15,000 and the accumulated supplemental pension amounts for prior years. Additional Supplemental Benefits are payable only if the Plan satisfies the minimum standard for actuarial soundness as defined in West Virginia Code § 8-22-20. This minimum standard requires that the fund remain “solvent” over the next 15-year projection period. Based on discussions with the West Virginia Municipal Pensions Oversight Board, and our understanding of the administrative practices of other local police and fire pension funds in West Virginia, the “solvency” requirement generally means that the fund’s market value of assets is projected to be greater than zero for all plan years prior to the end of the 15-year projection period. The projection is based on the most recent actuarial valuation and assumes the plan sponsor will make contributions according to the funding policy elected by the sponsor as defined by West Virginia Code, including any additional amounts needed to satisfy the 15-year solvency test on a closed group projection basis. Although the 15-year solvency test may satisfy the minimum standard for actuarial soundness under the statutes, it is not necessarily consistent with generally accepted actuarial principles.

Executive Summary of Valuation Results as of July 1, 2017 (Continued)

The Town of Star City has elected to fund benefits using the Optional funding policy as defined in West Virginia Code §8-22-20 (e)(1). Under this funding methodology, the fund's market value of assets is projected to be greater than zero for all plan years prior to the end of the 15-year projection period. Accordingly, this contribution methodology satisfies the minimum standard for actuarial soundness.

The Supplemental benefits for plan year beginning July 1, 2019, will be based on the Consumer Price Index for calendar year 2018, and the projected results of the July 1, 2017, actuarial valuation.

Additional Remarks on the Actuarial Valuation Results

Following are additional remarks on the actuarial valuation results as of July 1, 2017:

- The actuarial assumptions and methods were recommended by the actuary, in the report *2016 Experience Review for the Years July 1, 2009, to July 1, 2014*, and approved by the Municipal Pensions Oversight Board and became effective beginning with the actuarial valuation as of July 1, 2015. The key assumptions are fully disclosed in Section V of the report.
- The interest rate used to discount liabilities remained the same for the July 1, 2016 and July 1, 2017 actuarial valuations.
 - The interest rate assumption was developed by reviewing the Plan's current funded ratio, the 15-year projected funded ratio, the ratio of assets to benefits, the percentage of assets allocated to equities and the funding policy selected. The details of the methodology used to select the discount rate are presented in Section V of the report. As of July 1, 2017, the Plan's funded ratio of 72% (using a testing interest rate of 6.00% for all plans using the Optional funding policy), ratio of assets to benefits of 18.94, equity allocation of 58%, and 15-year projected funded ratio of 100%, resulted in a discount rate assumption of 6.50%.
- The Fund experienced an approximate annualized return of 9.70% on the market value of assets during the plan year ended June 30, 2017, which compares to the expected annualized return of 6.50%. The difference in actual versus expected return produced an asset (gain)/loss of (\$44,627).
- An actuarial valuation is based on the expectation of certain events such as salary increases, retirement, disability, mortality, termination and cost of living increases. Demographic or liability experience (gains)/losses are generated when the actual occurrence of such events differs from the expectation. During the plan year ended June 30, 2017, the fund experienced a net liability (gain)/loss of (\$20,778) due to these events.

Executive Summary of Valuation Results as of July 1, 2017 (Continued)

Optional Funding

Following are additional remarks on the actuarial valuation projections under the current funding policy:

Based on the closed group projections shown in Table 1, page II-1 and assuming that the sponsor makes the statutory required contributions, if all actuarial assumptions are realized in the future, including an investment return of 6.50%:

- The funded ratio is projected to increase from 78% at June 30, 2017, to 100% at June 30, 2028.
- Employer contributions are expected to increase from \$55,563 for the fiscal year end 2019 to \$60,847 for fiscal year end 2023. From fiscal year end 2025 to 2031, employer contributions remain stable at \$53,000 to \$55,000 per year. After fiscal year end 2031 employer contributions decline steadily.

This actuarial valuation assumes that the City will be able to make future contributions on a timely basis. The ability of the Plan to become fully funded is heavily dependent on the City contributing the minimum employer contribution calculated under the Optional funding policy for each and every future year. We did not perform an analysis of the ability of the City to make future contributions. Such an analysis is not within the scope of our assignment or within our analytical skill set. Failure to receive City contributions on a timely basis could jeopardize the sustainability of the Plan.

Please understand that the minimum employer contribution calculated under the Optional funding policy as defined in West Virginia Code §8-22-20 (e)(1) is just that – the minimum that needs to be contributed each and every year.

If the minimum employer contributions (calculated under the Optional funding policy) are not made or the investment return is less than the assumption of 6.50%, the funded ratio will be lower and the cash flow strain will be higher. If another significant market downturn occurs while the plan's funded ratio is low, the plan may need to liquidate a large amount of assets in order to pay benefits which could have a further adverse effect on the funded status of the Plan.

Under the Optional funding policy, the following experience could cause City contributions to change during the year:

- If the actual return on assets is *less* than the assumed return of 6.50%, then contributions will generally *increase*. Conversely, if the actual return is *greater* than the assumed return, contributions will generally *decrease*.
- If salaries *increase* by more than assumed, contributions could *increase*. If salaries *decrease* by more than assumed, contributions could *decrease*.
- If active members retire *sooner* than expected, contributions will generally *increase*. If active members retire *later* than expected, contributions will generally *decrease*.
- If active members become disabled during the year, contributions could *increase*.
- If retired members die *later* than expected, contributions will *increase*. If retired members die *sooner* than expected, contributions will *decrease*.

Executive Summary of Valuation Results as of July 1, 2017 (Continued)

- If the general inflation is *greater* than assumed, supplemental benefits will be greater than assumed and contributions will *increase*. Conversely, if general inflation is *lower* than assumed, contributions will *decrease*.

At least once every five years, GRS performs an experience review analysis and updates the actuarial valuation assumptions. For example, if salary increases were consistently lower than assumed during the experience period, then the salary increase rate would likely be lowered. Or if more members retired than assumed, then the retirement rates would likely be increased. Any change in actuarial assumption will also impact the City's funded ratio. The objective of a change in assumptions is to reduce the level of experience gains and losses in future actuarial valuations.

Schedule A: Summary of Key Valuation Results

Valuation Date	July 1, 2016		July 1, 2017	
Valuation Interest Rate	6.50%		6.50%	
Cost-of-Living Adjustment	2.75%		2.75%	
Wage Inflation	3.75%		3.75%	
Expected Payroll	\$232,406		\$239,643	
Average Pay	\$46,481		\$47,929	
Expected Benefit Payments	\$80,715		\$81,922	
1. Actuarial Accrued Liability	<u>No.</u>		<u>No.</u>	
(a) Actives	5	\$674,113	5	\$771,987
(b) Retirees	1	\$389,039	1	\$386,763
(c) Survivors	4	\$839,703	4	\$834,420
(d) Disabled Members	0	\$0	0	\$0
(e) Deferred Vested Members	0	\$0	0	\$0
(f) Total	10	\$1,902,855	10	\$1,993,170
2. Present Value of Future Normal Costs		\$810,302		\$814,533
3. Present Value of Benefits (1(f) + 2)		\$2,713,157		\$2,807,703
4. Market Value of Assets		\$1,428,680		\$1,551,339
5. Unfunded Actuarial Accrued Liability (1(f) - 4)		\$474,175		\$441,831
6. Funded Ratio (4 / 1(f))		75.08%		77.83%
7. Net Employer Normal Cost				
(a) Normal Cost		\$70,718		\$73,627
(b) Administrative Expenses		\$2,009		\$2,022
(c) Gross Normal Cost (a + b)		\$72,727		\$75,649
(d) Employee Contribution Rate ^a		8.36%		8.38%
(e) Expected Employee Contributions		\$19,431		\$20,086
(f) Net Employer Normal Cost (c - e)		\$53,296		\$55,563
(% of Compensation)		22.93%		23.19%
8. Estimated Minimum Employer Contribution ^b		<u>FYE 2018</u>		<u>FYE 2019</u>
(a) Expected Payroll		\$232,406		\$239,643
(b) Estimated Employer Normal Cost		\$53,296		\$55,563
(c) Employer Normal Cost Rate		22.93%		23.19%
(d) Amortization of Unfunded Actuarial Liability		\$33,988		\$31,956
(e) State Insurance Premium Tax Allocation		\$49,907		\$54,437
(f) Estimated Employer Contribution ^c (b + d - e)		\$53,296		\$55,563

^a Blended rate reflecting 7.0% for members hired before January 1, 2010, and 9.5% for members hired after January 1, 2010.

^b Estimated Minimum Employer Contribution is based on Optional funding policy and is assumed to be made in plan year ending June 30, 2019. The actual Minimum Employer Contribution will be based on actual payroll for plan year ended June 30, 2018. The sponsor elected the Optional funding policy on March 27, 2018. Fiscal year end 2018 contributions are based on the Alternative funding policy contributions before March 27, 2018, and the Optional funding policy contributions after March 27, 2018.

^c The Employer Contribution cannot be less than the Employer Normal Cost.

Schedule B: (Gain)/Loss Analysis

Experience (Gain)/Loss for Plan Year Ended June 30, 2017

1. (a) Actuarial Accrued Liability as of 7/1/2016	\$1,902,855
(b) Normal Cost due 7/1/2016	\$70,718
(c) Interest on (a) and (b) to 6/30/2017	\$125,984
(d) Benefit Payments with interest to 6/30/2017	\$85,609
(e) Effect of Assumption Changes	\$0
(f) Expected Liability at 7/1/2017 [(a) + (b) + (c) - (d) + (e)]	\$2,013,948
(g) Actual Liability at 7/1/2017	\$1,993,170
(h) Liability (Gain)/Loss [(g) - (f)]	(\$20,778)
2. (a) Market Value of Assets as of 7/1/2016 ^a	\$1,370,604
(b) Interest on (a) to 6/30/2017	\$89,089
(c) Contributions with interest to 6/30/2017	\$132,628
(d) Benefit Payments with interest to 6/30/2017	\$85,609
(e) Expected Assets at 6/30/2017 [(a) + (b) + (c) - (d)]	\$1,506,712
(f) Actual Assets at 7/1/2017	\$1,551,339
(g) Asset (Gain)/Loss [(e) - (f)]	(\$44,627)
3. Total (Gain)/Loss [1(h) + 2(g)]	(\$65,405)

SECTION II

ACTUARIAL PROJECTIONS

Actuarial Projections, Table 1

Valuation Plan Year End	Number		Total Assets								Actuarial		
	Pay		Assets (boy)	Benefit Payments	Expenses	Employer Contributions ^a	Member Contributions	Premium Tax		Assets (eoy)	Accrued Liability	Unfunded Liability	Funded Ratio
	Active	Status						Allocation	Investment				
30-Jun								Contributions	Income				
2017	5	5	\$1,370,604	\$82,914	\$0	\$57,200	\$20,177	\$51,076	\$135,196	\$1,551,339	\$1,993,170	\$441,831	78%
2018	5	5	1,551,339	81,922	2,022	54,967	20,086	49,907	102,149	1,694,504	2,114,104	419,600	80%
2019	5	5	1,694,504	83,887	2,026	55,563	20,359	54,437	111,564	1,850,515	2,242,277	391,762	83%
2020	4	5	1,850,515	85,702	2,037	56,563	20,756	55,935	121,740	2,017,770	2,378,629	360,859	85%
2021	4	5	2,017,770	88,061	2,054	57,856	21,235	57,037	132,627	2,196,409	2,523,366	326,957	87%
2022	4	5	2,196,409	89,351	2,075	59,332	21,738	58,146	144,295	2,388,496	2,678,247	289,751	89%
2023	4	5	2,388,496	99,120	2,101	60,847	21,309	59,334	156,540	2,585,306	2,830,482	245,176	91%
2024	3	5	2,585,306	113,023	2,132	58,716	20,497	61,798	168,872	2,780,033	2,973,621	193,588	93%
2025	3	6	2,780,033	120,957	2,164	55,064	20,378	63,558	181,210	2,977,121	3,116,638	139,517	96%
2026	3	6	2,977,121	127,558	2,196	54,069	20,413	65,224	193,831	3,180,904	3,261,803	80,899	98%
2027	3	6	3,180,904	133,156	2,228	53,681	20,568	66,865	206,942	3,393,576	3,410,780	17,204	99%
2028	3	6	3,393,576	137,769	2,260	53,743	20,824	18,194	219,070	3,565,379	3,565,379	0	100%
2029	3	6	3,565,379	141,874	2,292	54,167	21,152	0	229,548	3,726,080	3,726,080	0	100%
2030	3	6	3,726,080	145,390	2,323	54,820	21,548	0	239,913	3,894,648	3,894,648	0	100%
2031	2	6	3,894,648	161,774	2,356	55,067	20,843	0	250,330	4,056,759	4,056,759	0	100%
2032	2	6	4,056,759	184,109	2,392	49,959	19,684	0	259,951	4,199,852	4,199,852	0	100%
2033	1	7	4,199,852	212,290	2,427	41,201	16,402	0	267,965	4,310,703	4,310,703	0	100%
2034	1	7	4,310,703	246,442	2,465	29,822	12,072	0	273,574	4,377,263	4,377,263	0	100%
2035	1	7	4,377,263	263,471	2,502	24,441	10,049	0	277,117	4,422,898	4,422,898	0	100%
2036	1	7	4,422,898	277,001	2,539	20,636	8,612	0	279,482	4,452,089	4,452,089	0	100%
2037	1	7	4,452,089	287,281	2,574	17,860	7,588	0	280,928	4,468,610	4,468,610	0	100%
2038	0	7	4,468,610	294,936	2,607	15,906	6,874	0	281,670	4,475,517	4,475,517	0	100%
2039	0	7	4,475,517	300,646	2,637	14,449	6,363	0	281,873	4,474,918	4,474,918	0	100%
2040	0	7	4,474,918	304,825	2,665	13,413	6,001	0	281,655	4,468,497	4,468,497	0	100%
2041	0	7	4,468,497	307,869	2,689	12,660	5,756	0	281,107	4,457,461	4,457,461	0	100%
2042	0	7	4,457,461	309,590	2,711	12,206	5,631	0	280,316	4,443,313	4,443,313	0	100%
2043	0	6	4,443,313	310,712	2,730	11,816	5,520	0	279,343	4,426,551	4,426,551	0	100%
2044	0	6	4,426,551	322,625	2,744	9,655	4,275	0	277,763	4,392,875	4,392,875	0	100%
2045	0	6	4,392,875	336,282	2,756	7,075	2,678	0	275,004	4,338,593	4,338,593	0	100%
2046	0	6	4,338,593	340,276	2,763	5,903	1,941	0	271,286	4,274,684	4,274,684	0	100%
2047	0	6	4,274,684	342,282	2,766	5,033	1,406	0	267,023	4,203,098	4,203,098	0	100%
2048	0	6	4,203,098	342,712	2,765	4,412	1,018	0	262,324	4,125,375	4,125,375	0	100%
2049	0	6	4,125,375	341,873	2,759	3,953	741	0	257,275	4,042,712	4,042,712	0	100%
2050	0	6	4,042,712	340,158	2,749	3,600	524	0	251,939	3,955,867	3,955,867	0	100%
2051	0	5	3,955,867	337,721	2,736	3,304	352	0	246,358	3,865,424	3,865,424	0	100%
2052	0	5	3,865,424	334,555	2,719	3,102	236	0	240,571	3,772,059	3,772,059	0	100%
2053	0	5	3,772,059	330,829	2,699	2,952	158	0	234,614	3,676,256	3,676,256	0	100%
2054	0	5	3,676,256	326,979	2,676	2,782	64	0	228,503	3,577,950	3,577,950	0	100%
2055	0	5	3,577,950	322,682	2,652	2,652	0	0	222,245	3,477,513	3,477,513	0	100%
2056	0	4	3,477,513	317,743	2,626	2,626	0	0	215,874	3,375,644	3,375,644	0	100%
2057	0	4	3,375,644	312,683	2,600	2,602	0	0	209,415	3,272,377	3,272,377	0	100%
2058	0	4	3,272,377	307,528	2,575	2,576	0	0	202,867	3,167,717	3,167,717	0	100%

^a Employer contribution for plan year end June 30, 2018, was estimated based on the results of the July 1, 2016, actuarial valuation and the sponsor selection of the Optional funding policy on March 27, 2018.

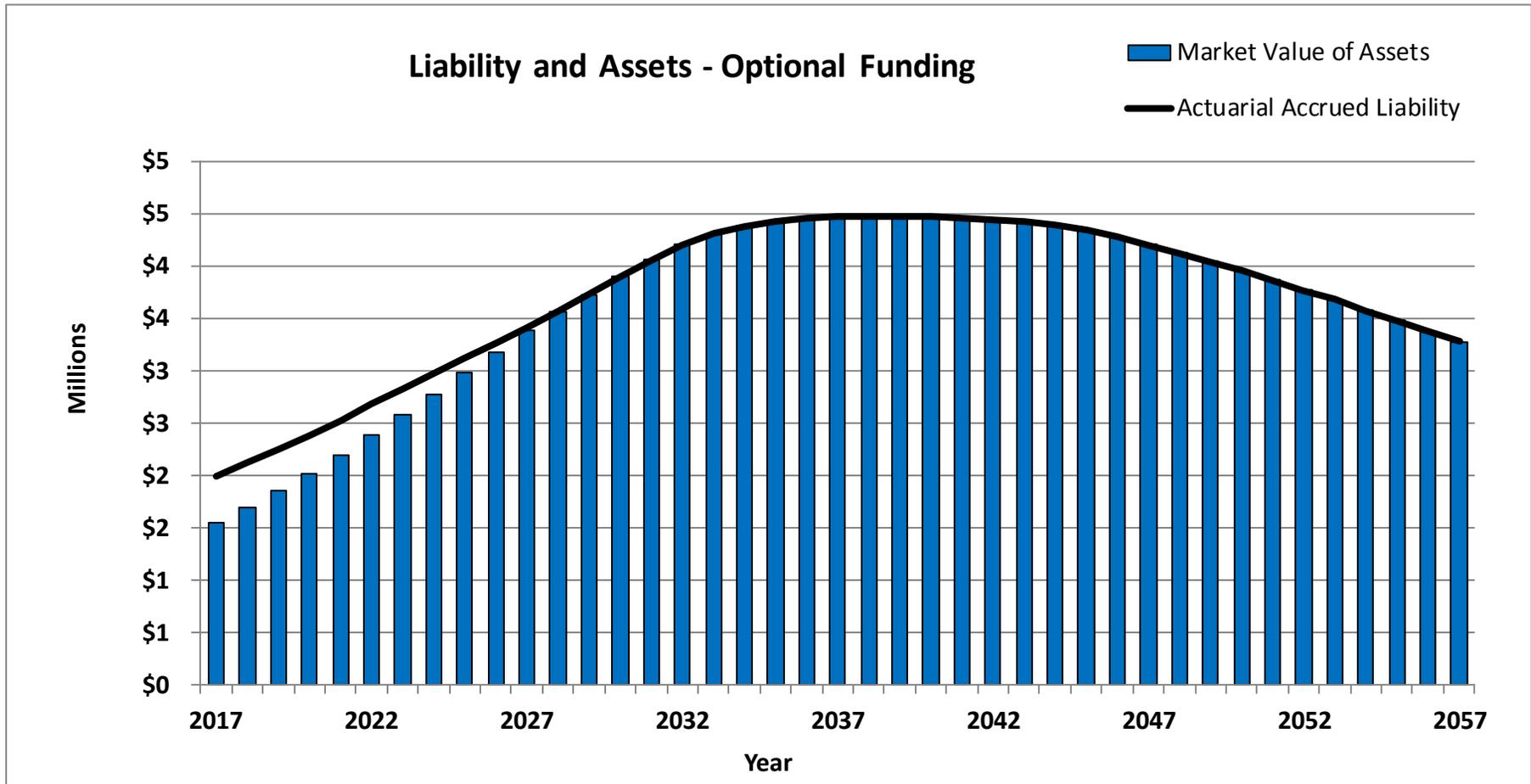
Actuarial Projections, Table 2

Employer Contributions									
Valuation Plan	Closed	Active				Premium Tax			Employer
Year End	Group	Employee	Gross	Net Employer	Amortization	Allocation	Net Employer		Contribution
30-Jun ^a	Payroll	Contributions	Normal Cost	Normal Cost	of UAAL	Contributions	Amortization	Expenses	Closed Plan
2018	\$239,643	\$20,086	73,627	53,541	\$31,956	\$54,437	\$0	\$2,022	55,563
2019	243,355	20,359	74,896	54,537	30,644	55,935	0	2,026	56,563
2020	248,382	20,756	76,575	55,819	28,911	57,037	0	2,037	57,856
2021	254,275	21,235	78,513	57,278	26,931	58,146	0	2,054	59,332
2022	260,449	21,738	80,510	58,772	24,697	59,334	0	2,075	60,847
2023	253,210	21,309	77,924	56,615	22,174	61,798	0	2,101	58,716
2024	240,403	20,497	73,429	52,932	19,029	63,558	0	2,132	55,064
2025	237,479	20,378	72,283	51,905	15,255	65,224	0	2,164	54,069
2026	236,764	20,413	71,898	51,485	11,177	66,865	0	2,196	53,681
2027	237,745	20,568	72,083	51,515	6,597	18,194	0	2,228	53,743 ^b
2028	240,115	20,824	72,731	51,907	0	0	0	2,260	54,167 ^b
2029	243,432	21,152	73,681	52,529	0	0	0	2,292	54,820 ^b
2030	247,600	21,548	74,895	53,347	0	0	0	2,323	55,067 ^b
2031	235,883	20,843	71,932	51,089	0	0	0	2,356	49,959 ^b
2032	217,589	19,684	67,253	47,569	0	0	0	2,392	41,201 ^b
2033	180,051	16,402	55,168	38,766	0	0	0	2,427	29,822 ^b
2034	132,276	12,072	39,423	27,351	0	0	0	2,465	24,441 ^b
2035	109,544	10,049	32,002	21,953	0	0	0	2,502	20,636 ^b
2036	93,396	8,612	26,700	18,088	0	0	0	2,539	17,860 ^b
2037	81,821	7,588	22,875	15,287	0	0	0	2,574	15,906 ^b
2038	73,667	6,874	20,161	13,287	0	0	0	2,607	14,449 ^b
2039	67,858	6,363	18,183	11,820	0	0	0	2,637	13,413 ^b
2040	63,756	6,001	16,750	10,749	0	0	0	2,665	12,660 ^b
2041	60,825	5,756	15,722	9,966	0	0	0	2,689	12,206 ^b
2042	59,276	5,631	15,132	9,501	0	0	0	2,711	11,816 ^b
2043	58,106	5,520	14,603	9,083	0	0	0	2,730	9,655 ^b
2044	45,000	4,275	11,180	6,905	0	0	0	2,744	7,075 ^b
2045	28,185	2,678	7,001	4,323	0	0	0	2,756	5,903 ^b
2046	20,428	1,941	5,076	3,135	0	0	0	2,763	5,033 ^b
2047	14,801	1,406	3,676	2,270	0	0	0	2,766	4,412 ^b
2048	10,719	1,018	2,664	1,646	0	0	0	2,765	3,953 ^b
2049	7,798	741	1,938	1,197	0	0	0	2,759	3,600 ^b
2050	5,514	524	1,371	847	0	0	0	2,749	3,304 ^b
2051	3,702	352	920	568	0	0	0	2,736	3,102 ^b
2052	2,485	236	617	381	0	0	0	2,719	2,952 ^b
2053	1,667	158	413	255	0	0	0	2,699	2,782 ^b
2054	677	64	169	105	0	0	0	2,676	2,652 ^b
2055	0	0	0	0	0	0	0	2,652	2,626 ^b
2056	0	0	0	0	0	0	0	2,626	2,602 ^b
2057	0	0	0	0	0	0	0	2,600	2,576 ^b

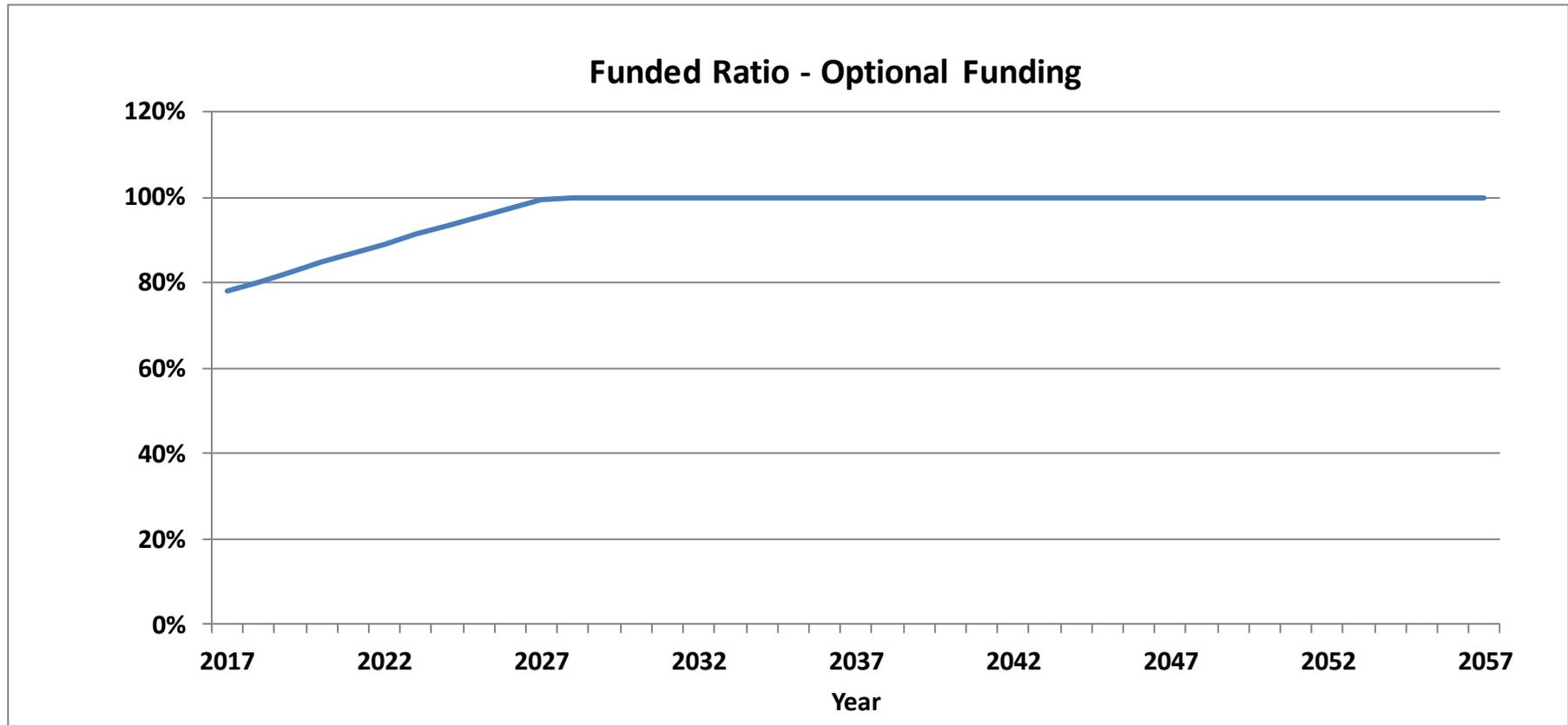
^a Assumes employer makes contributions for the applicable valuation plan year in the following fiscal year.

^b Amount required to remain at 100% funded.

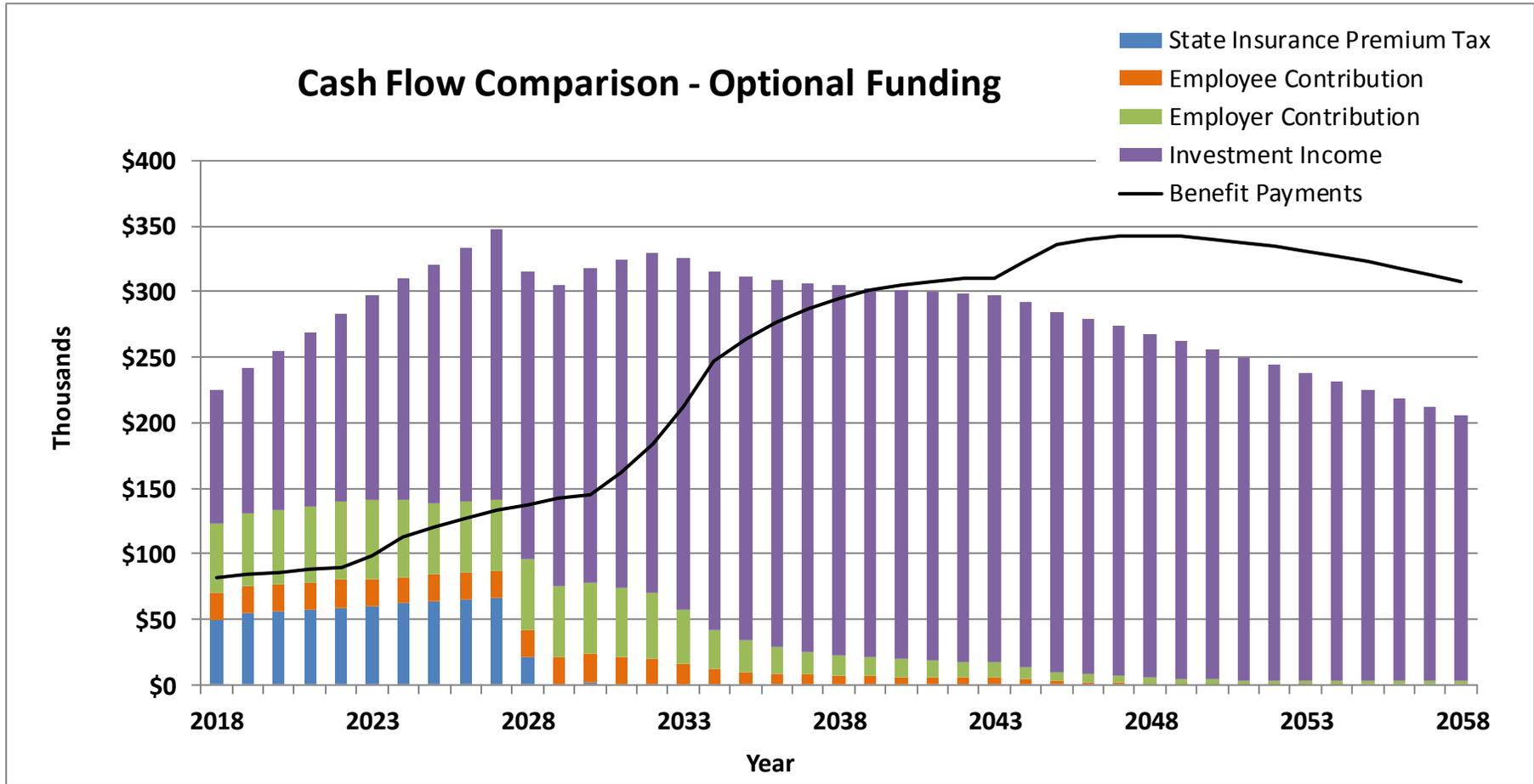
Actuarial Projections, Graph 1



Actuarial Projections, Graph 2



Actuarial Projections, Graph 3



SECTION III

ACTUARIALLY DETERMINED CONTRIBUTION FOR GASB STATEMENT NOS. 67 AND 68 REPORTING

Actuarially Determined Contribution for GASB Statement Nos. 67 and 68 Reporting Schedule C: Funding Progress and Employer Contributions

Valuation Date	July 1, 2016	July 1, 2017
Valuation Interest Rate	6.50%	6.50%
Cost-of-Living Adjustment	2.75%	2.75%
Wage Inflation	3.75%	3.75%
Actuarial Value of Assets	Market	Market
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Remaining Amortization Period ^a	24 Years, Level % of Pay	23 Years, Level % of Pay
Schedule of Funding Progress		
Actuarial Valuation Date	July 1, 2016	July 1, 2017
1. Market Value of Assets	\$1,428,680	\$1,551,339
2. Actuarial Accrued Liability	\$1,902,855	\$1,993,170
3. Unfunded Actuarial Accrued Liability (2 - 1)	\$474,175	\$441,831
4. Funded Ratio (1/2)	75%	78%
5. Expected Payroll	\$232,406	\$239,643
6. UAAL as Percentage of Covered Payroll (3/5)	204%	184%
Schedule of Employer Contributions ^c		
	FYE 2017	FYE 2018
1. Actuarially Determined Contribution		
(a) Employer Normal Cost	\$53,296	\$55,563
(b) Amortization of Unfunded Actuarial Accrued Liability	\$26,260	\$25,234
(c) Actuarially Determined Contribution (ADC) (a + b)	\$79,556	\$80,797
2. Employer Contribution ^b	\$57,200	\$54,967
3. Premium Tax Allocation	\$51,076	\$49,907
4. Percentage of ADC Contributed [(2 + 3)/1(c)]	136%	130%

^a Suggested amortization policy to comply with GASB Statement Nos. 67 and 68 Standards.

^b Estimated employer contribution for fiscal year end June 30, 2018, based on actuarial valuation as of July 1, 2016, and sponsor election of the Optional funding policy on March 27, 2018.

^c Satisfies the Actuarially Determined Contribution as defined by GASB Statement Nos. 67 and 68.

SECTION IV

ACTUARIAL VALUATION DATA AS OF JULY 1, 2017

Actuarial Valuation Data as of July 1, 2017

Schedule D: Reconciliation of Assets

Plan Year Ending	June 30, 2016	June 30, 2017
A. Market Value of Assets End of Prior Year	\$1,380,845	\$1,428,680
Adjustment to Market Value of Assets at Beginning of Year	\$0	(\$58,076)
Market Value of Assets Beginning of Year	\$1,380,845	\$1,370,604
1. Revenue During Fiscal Year		
(a) Employee Contribution	\$19,840	\$20,177
(b) Governmental Contribution		
(i) From Local Government	\$52,800	\$57,200
(ii) From State Government	\$0	\$51,076
(iii) Reallocation from State Government	\$0	\$0
(iv) Total	\$52,800	\$108,276
(c) Earnings on Investments		
(i) Net Appreciation/(Depreciation)	(\$14,843)	\$74,173
(ii) Bond Interest	\$6,364	\$13,341
(iii) Dividends	\$42,841	\$18,864
(iv) Net Realized Gain (Loss) on Sale/Exchange	(\$13,964)	\$43,292
(v) Other	(\$875)	(\$993)
(vi) Less Investment Expense	(\$13,393)	(\$13,481)
(vii) Total	\$6,130	\$135,196
(d) Other Revenue	\$0	\$0
(e) Receivable Investment Income/(Expense)	\$0	\$0
(f) Receivable Contribution ^a		
(i) From Employee Contributions	\$1,632	\$0
(ii) From Local Government	\$4,400	\$0
(iii) From State Government	\$51,076	\$0
(iv) Total	\$57,108	\$0
(g) Total Revenue (sum of (a) through (f))	\$135,878	\$263,649
2. Expenditures During Fiscal Year		
(a) Benefits Paid	\$76,469	\$82,914
(b) Withdrawals	\$11,574	\$0
(c) Administrative Expenses	\$0	\$0
(d) Payable Benefits and Withdrawals	\$0	\$0
(e) Payable Administrative Expenses	\$0	\$0
(f) Total Expenditures (sum of (a) through (e))	\$88,043	\$82,914
B. Market Value of Assets End of Year		
[A + 1(g) - 2(f)]	\$1,428,680	\$1,551,339
C. Approximate Return on Assets	0.45%	9.70%

^a Receivable contributions for each respective plan year ending.

Actuarial Valuation Data as of July 1, 2017

Schedule E: Assets Held by Category

Plan Year Ending	June 30, 2016		June 30, 2017	
1. Cash and Short-term Investments	\$28,086	2%	\$25,478	2%
2. Government Securities				
(a) US Treasury Bills, Notes and Bonds	\$0		\$0	
(b) US State and Local Governmental Debt Securities	\$0		\$0	
(c) Foreign Governmental Debt Securities	\$0		\$0	
(d) Other	\$50,032		\$0	
(e) Total Government Securities (sum of (a) through (d))	\$50,032	4%	\$0	0%
3. Corporate Fixed Income				
(a) US Bonds	\$134,820		\$50,000	
(b) US Mortgage or other Asset Backed Securities	\$0		\$105,056	
(c) US Mutual Fund Shares (Bonds)	\$456,478		\$370,722	
(d) US Exchange Traded Funds (Bonds)	\$0		\$26,922	
(e) International Bonds	\$0		\$0	
(f) International Mutual Fund Shares (Bonds)	\$0		\$0	
(g) International Exchange Traded Funds (Bonds)	\$0		\$0	
(h) Total Corporate Fixed Income (sum of (a) through (g))	\$591,298	41%	\$552,700	36%
4. Corporate Equity				
(a) US Equity	\$0		\$682,739	
(b) US Mutual Fund Shares (Equity)	\$562,681		\$107,322	
(c) US Exchange Traded Funds (Equity)	\$0		\$0	
(d) International Equity	\$0		\$0	
(e) International Mutual Fund Shares (Equity)	\$138,507		\$0	
(f) International Exchange Traded Funds (Equity)	\$0		\$115,984	
(g) Total Corporate Equity (sum of (a) through (f))	\$701,188	49%	\$906,045	58%
5. Alternative Investments				
(a) Real Estate Investment Trust	\$0		\$0	
(b) Private Equity Fund	\$0		\$0	
(c) Hedge Funds	\$0		\$0	
(d) Other Alternative Investments	\$0		\$67,116	
(e) Total Alternative Investments (sum of (a) through (d))	\$0	0%	\$67,116	4%
6. Other	\$968	0%	\$0	0%
7. Receivable Contributions				
(a) From Employee Contributions	\$1,632		\$0	
(b) From Local Government	\$4,400		\$0	
(c) From State Government	\$51,076		\$0	
(d) Total Receivable Contributions (sum of (a) through (c))	\$57,108	4%	\$0	0%
8. Accruals				
(a) Receivable (other than State and Local Contributions)	\$0		\$0	
(b) Less Payable	\$0		\$0	
(c) Total	\$0	0%	\$0	0%
Market Value of Assets End of Year	\$1,428,680		\$1,551,339	
[sum of (1) through (8)]				

Actuarial Valuation Data as of July 1, 2017

Schedule F: Summary of Participant Activity

	Actives	Retirees	Disabled	Deferred Vested	Spouses and Beneficiaries	Totals
Total Participants July 1, 2016:	5	1	0	0	4	10
New Actives:						0
Returned to Actives Status:						0
Data Corrections/Other Changes:						0
Vested Terminations:						0
Non-Vested Terminations:						0
Disabled:						0
Retirements:						0
Deaths with Beneficiary:						0
Deaths w/o Beneficiary:						0
Expired Annuity or Stop Payment:						0
Net Changes:	0	0	0	0	0	0
Total Participants June 30, 2017:	5	1	0	0	4	10

Actuarial Valuation Data as of July 1, 2017

Schedule G: Distribution of Active Employees by Age and Length of Service

Attained Age	Years of Service to Valuation Date									Totals	Valuation Payroll ^a
	Less than 1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	Over 35		
Under 20											\$ 0
20-24		1								1	\$ 41,652
25-29											\$ 0
30-34		1	1							2	\$ 90,751
35-39				1						1	\$ 52,127
40-44					1					1	\$ 53,467
45-49						1					\$ 0
50-54											\$ 0
55-59											\$ 0
60-64											\$ 0
65-69											\$ 0
Over 70											\$ 0
Totals	0	2	1	1	1	0	0	0	0	5	\$ 237,997
Averages _____											
Age: 34.6 years											
Service: 8.5 years											
Annual Pay: \$47,599 ^a											

^a Based on payroll at beginning of plan year.

Actuarial Valuation Data as of July 1, 2017

Schedule H: Participants Summary

Active Participants	July 1, 2016	July 1, 2017
Number of Actives	5	5
Total Annual Pay	\$230,670	\$237,997
Average Age	33.6	34.6
Average Service	7.5	8.5

Inactive Participants	July 1, 2016		July 1, 2017	
Type	No.	Annual Benefit	No.	Annual Benefit
Retirees	1	\$24,593	1	\$24,794
Survivors	4	\$51,943	4	\$52,618
Disabled Members	0	\$0	0	\$0
Deferred Vested Members	0	\$0	0	\$0

SECTION V

ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial Assumptions and Methods Used in the Valuation as of July 1, 2017

Discount Rate

The following table outlines the factors used to determine the discount rate:

Funded Ratio as of Valuation Date ¹	Liquidity Ratio ²	Equity Exposure ³	Projected Funded Ratio after 15 Years ¹	Discount Rate
60% or more	10	50% or more	70% or more	6.5%
40% or more	8	40% or more	60% or more	6.0%
30% or more	6	30% or more	50% or more	5.5%
15% or more	4	n/a	40% or more	5.0%
Less than 15%	n/a	n/a	15% or more	4.5%
Less than 15%	n/a	n/a	Less than 15%	4.0%

¹Funded ratios based on a 6.0% investment return assumption for plans using an actuarially sound policy (standard or optional) and a 5.5% investment return assumption for other plans (alternative or conservation).

²Liquidity ratio equals assets as of the actuarial valuation date divided by expected benefit payments for the year.

³Based on investment policy.

As of June 30, 2017	
Assets	\$1,551,339
Liabilities using a 6.00% Discount Rate	\$2,143,932
Funded Ratio	72%
Expected Benefit Payments	\$81,922
Liquidity Ratio	18.94
Equity Exposure	58%
Projected Funded Ratio after 15 years	100%

Discount Rate

6.50%

Actuarial Assumptions and Methods Used in the Valuation as of July 1, 2017 (Continued)

The premium tax allocation is projected using the following methodology:

- (1) The Base Allocation for all Pension and Relief Funds is a fixed amount equal to \$8,709,689 in all future years. This amount is allocated to each individual Pension and Relief Fund in proportion to the number of eligible members, which includes active members covered in either the Pension and Relief Fund or the statewide plan, Municipal Police Officers and Firefighters Retirement System (“MPFRS”).
- (2) The Excess Allocation is equal to the excess of the current year premium tax assigned to all Pension and Relief Funds over the total Base Allocation. This amount is allocated to each individual Pension and Relief Fund in proportion to the number of eligible active and retired members covered in either the Pension and Relief Fund or the MPFRS.
- (3) We have assumed all Pension and Relief Funds will make the minimum statutory contribution requirement and will receive 100% of both the Base Allocation and the Excess Allocation assigned to the individual plan. Consequently, the projections do not include any reallocation of Expired Premium Tax Allocation for plan years beginning on and after July 1, 2019.
- (4) The total available premium tax allocation, net of expenses, as of September 1, 2018, includes a Base Allocation of \$8,709,689, an Excess Allocation of \$9,570,473, and an Expired Premium Tax Allocation of \$237,031.
- (5) For the plan year ending June 30, 2018, all Pension and Relief Funds reported a total of 1,717 eligible active members and 2,165 eligible retired members. The Town of Star City Policemen’s Pension and Relief Fund reported 6 eligible active members and 5 eligible retired members, based on the average number of plan participants for the 12-month period ending June 30, 2018. The Fund is eligible to receive a premium tax allocation of \$54,437 for the fiscal year ending June 30, 2019.
- (6) The total premium tax allocation was assumed to increase by 2.75% in calendar years ending on and after 2019.

Actuarial Assumptions and Methods Used in the Valuation as of July 1, 2017 (Continued)

General Inflation	2.75%																		
Expected Salary Increase	General Inflation: 2.75% <i>plus</i>																		
Service-based Increase:	Wage Inflation Increment: 1.00% <i>plus</i>																		
	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;"><u>Years of Service</u></th> <th style="text-align: center;"><u>Increase</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">20.00%</td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">6.50%</td> </tr> <tr> <td style="text-align: center;">3</td> <td style="text-align: center;">3.50%</td> </tr> <tr> <td style="text-align: center;">4</td> <td style="text-align: center;">2.75%</td> </tr> <tr> <td style="text-align: center;">5-9</td> <td style="text-align: center;">2.50%</td> </tr> <tr> <td style="text-align: center;">10-29</td> <td style="text-align: center;">2.00%</td> </tr> <tr> <td style="text-align: center;">30-34</td> <td style="text-align: center;">1.25%</td> </tr> <tr> <td style="text-align: center;">after 34 years of service</td> <td style="text-align: center;">0.00%</td> </tr> </tbody> </table>	<u>Years of Service</u>	<u>Increase</u>	1	20.00%	2	6.50%	3	3.50%	4	2.75%	5-9	2.50%	10-29	2.00%	30-34	1.25%	after 34 years of service	0.00%
<u>Years of Service</u>	<u>Increase</u>																		
1	20.00%																		
2	6.50%																		
3	3.50%																		
4	2.75%																		
5-9	2.50%																		
10-29	2.00%																		
30-34	1.25%																		
after 34 years of service	0.00%																		
Post-retirement COLA	2.75% on first \$15,000 of Annual Benefit and on the accumulated supplemental pension amounts for prior years. Assumed to be payable to all members receiving payments.																		
Increase in State Insurance Premium Tax Allocation	2.75% on and after year 1																		
Cost Method	Entry-Age-Normal, Level-Percentage-of-Pay																		
<p><i>Amortization Policies:</i></p> <p>Alternative Plans and former Alternative Plans that selected the Conservation Policy</p> <p>Standard Plans and former Standard Plans that selected the Optional Policy</p> <p>Former Alternative Plans that selected the Optional Policy</p>	<p>For GASB 67/68 Accounting: 30 – Year Closed Level-Percentage-of-Pay Amortization (from July 1, 2010 – 23 years remaining as of July 1, 2017).</p> <p>For funding and GASB 67/68 Accounting: 40-Year Closed Level-Dollar Amortization (from July 1, 1991 – 14 years remaining as of July 1, 2017)</p> <p>For funding: 40-Year Closed Level-Dollar Amortization (from January 1, 2010 – 32.5 years remaining as of July 1, 2017). For GASB 67/68 Accounting: 30-Year Closed Level-Percentage-of-Pay Amortization (from July 1, 2010 – 23 years remaining as of July 1, 2017)</p>																		

Actuarial Assumptions and Methods Used in the Valuation as of July 1, 2017 (Continued)

Asset Method	Market Value										
Turnover	<p>Sample Rates –</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;"><u>Age</u></th> <th style="text-align: center;"><u>Rates</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">25</td> <td style="text-align: center;">9%</td> </tr> <tr> <td style="text-align: center;">35</td> <td style="text-align: center;">4%</td> </tr> <tr> <td style="text-align: center;">45</td> <td style="text-align: center;">2%</td> </tr> <tr> <td style="text-align: center;">50</td> <td style="text-align: center;">0%</td> </tr> </tbody> </table>	<u>Age</u>	<u>Rates</u>	25	9%	35	4%	45	2%	50	0%
<u>Age</u>	<u>Rates</u>										
25	9%										
35	4%										
45	2%										
50	0%										
Retirement	<table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;"><u>Age</u></th> <th style="text-align: center;"><u>Rates^a</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">50</td> <td style="text-align: center;">45%</td> </tr> <tr> <td style="text-align: center;">51-55</td> <td style="text-align: center;">30%</td> </tr> <tr> <td style="text-align: center;">56-59</td> <td style="text-align: center;">35%</td> </tr> <tr> <td style="text-align: center;">60</td> <td style="text-align: center;">100%</td> </tr> </tbody> </table> <p>^aTerminated vested participants are assumed to retire at age 50.</p>	<u>Age</u>	<u>Rates^a</u>	50	45%	51-55	30%	56-59	35%	60	100%
<u>Age</u>	<u>Rates^a</u>										
50	45%										
51-55	30%										
56-59	35%										
60	100%										
Mortality	<p>Active: RP-2014 Blue Collar Healthy Employee^b</p> <p>Post-Retirement: RP-2014 Blue Collar Healthy Annuitant</p> <p>Disabled: RP-2014 Blue Collar Healthy Annuitant set forward four years</p> <p>Tables above incorporate generational mortality improvement using MP-2014 2-dimensional mortality improvement scales^b ^bAssumes 10% of deaths are duty-related and 90% are non-duty related.</p>										
Disability	<p>Sample Rates –</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;"><u>Age</u></th> <th style="text-align: center;"><u>Rates^c</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">30</td> <td style="text-align: center;">0.22%</td> </tr> <tr> <td style="text-align: center;">40</td> <td style="text-align: center;">0.50%</td> </tr> <tr> <td style="text-align: center;">50</td> <td style="text-align: center;">0.79%</td> </tr> </tbody> </table> <p>^cAssumes 60% duty related and 40% non-duty related. Also assumes 10% of non-duty disabled members receive a 20% reduction in benefits due to gainful employment.</p>	<u>Age</u>	<u>Rates^c</u>	30	0.22%	40	0.50%	50	0.79%		
<u>Age</u>	<u>Rates^c</u>										
30	0.22%										
40	0.50%										
50	0.79%										
Percent Married	90%										
Spouse Age	Females 3 years younger than males										

Actuarial Assumptions and Methods Used in the Valuation as of July 1, 2017 (Continued)

Administrative Expenses	The sponsor did not appear to provide separate investment and administrative expenses. Plan year 2018 administrative expenses assumed to be equal to 15% of all reported 2017 expenses. Future expenses assumed to increase by the general inflation assumption.
Refunds Paid	Assumes non-vested inactive members as of July 1, 2017, with accumulated member contribution balances will receive a refund of their contributions during plan year end June 30, 2018.
Data Adjustments and Assumptions	None
Child Beneficiaries	Future survivor widow benefits are loaded by 12% to estimate impact of benefits provided to survivor children. The load assumes 90% of members are married with two children at time of death, and benefits for each child are paid for approximately 8 years.
General Projection Methodology	Closed group projections assume: <ul style="list-style-type: none"> (i) Salaries will increase and members will decrement as specified in the actuarial assumption section. (ii) Assets grow at the assumed rate of return. (iii) The sponsor makes the statutory required contribution on a timely bases. (iv) Non-vested members with accumulated plan balances as of July 1, 2017, will receive a refund during plan year end June 30, 2018.
Decrement Timing	Mid-Year

SECTION VI

SUMMARY OF PRINCIPAL PLAN PROVISIONS

Summary of Principal Plan Provisions

Actuarial Valuation as of July 1, 2017

Employee Eligibility — All compensated employees of the Police Department hired before NA are eligible to participate in the Town of Star City Policemen’s Pension and Relief Fund.

Average Annual Compensation — The average of any three twelve-consecutive-month periods of employment which produces the highest average annual compensation.

Each twelve-consecutive-month annual compensation is limited to 120% of the *Average Adjusted Salary* received by the member in the two consecutive twelve-consecutive-month periods immediately preceding the twelve-consecutive-month period used in determining benefits.

The *Average Adjusted Salary* is base salary (exclusive of all overtime and other pay) of the year used in determining benefits multiplied by the ratio of total salary (includes all overtime and other pay) to base salary from the respective preceding twelve-consecutive-month period.

Determining Years of Service Credit (Credited Service) — The number of years that the member has contributed to the employees retirement and benefit fund.

Prior Military Service — A city may provide that members who have been honorably discharged from the military shall receive up to two years prior service credit for military service prior to their employment with the city.

Current Military Service — Any current member who has been on qualified military service in the armed forces of the United States with an honorable discharge may, within six months from his or her date of discharge, be given credit for continuous service in the paid police or fire department.

Any member who has served in active duty with the armed forces of the United States, whether prior to or subsequent to becoming a member of a paid police or fire department, shall receive one additional percent for each year so served in active military duty, up to a maximum of four additional percent.

Absence from the service because of sickness or injury for a period of two years or less shall not be construed as time out of service.

Contributions — Participating employees contribute 7.0% of compensation. Participating employees hired on or after January 1, 2010 contribute 9.5% of pay. The municipality has elected to contribute the minimum employer contribution under the Optional funding policy.

Normal Retirement — Members are eligible at the earlier of age 50 with 20 years of credited service or age 65.

Benefit Commencement — Annual retirement pension benefits commence upon retirement or upon the member attaining age fifty, whichever is later, payable in twelve monthly installments.

Summary of Principal Plan Provisions

Actuarial Valuation as of July 1, 2017 (Continued)

Accrued Benefit — The annual retirement benefit equals 60% of average annual compensation, not less than \$6,000, plus an additional percentage of average annual compensation for service over 20 years equal to 2% for each year of service between 20 and 25 and 1% for each year of service between 25 and 30 years. Employees serving in the military are eligible for an additional 1% of average annual compensation for each year of military service up to four years. The maximum benefit is limited to 75% of average annual compensation. Benefits continue for life.

Disability Retirement — Members are eligible after earning five years of service. No service requirement if disability is service related.

The monthly disability benefit equals the greater of 60% of monthly salary at disability or \$500. Employees serving in the military are eligible for an additional benefit of 1% of monthly salary at disability for each year of military service up to four years. Disability benefits, when aggregated with monthly state workers compensation benefits, shall not exceed 100% of the member's monthly compensation at the time of disability. Benefits continue for life or until recovery.

Death Benefits — Members are eligible after earning five years of service. No service requirement if death is service related. Retirees and terminated vested participants are also eligible.

The benefit is equal to 60% of the participant's benefit, but not less than \$300 per month, payable to the spouse until death or remarriage. Other dependents (children, parents, brothers and sisters) are also eligible for death benefits. To each dependent child, twenty percent of the participant's benefit until the child attains 18 or marries; to each dependent orphaned child, 25 percent of the participant's benefit until the child attains 18 or marries; to each dependent parent, 10 percent of the participant's benefit for life, and to each dependent brother or sister, the sum of 50 dollars per month (but a total not to exceed \$100 per month) until such individual attains the age of 18 years or marries.

In no case shall the payments to the surviving spouse and children be reduced below 65 percent of the total amount paid to all dependents.

Supplemental Pension Benefits — All retirees, surviving beneficiaries and disability pensioners are eligible for automatic cost-of-living benefits commencing on the first day of July following two years of retirement. The benefits equal the percentage increase in the Consumer Price Index, limited to 4% (2% for some disability retirees), multiplied by the sum of the allowable amount which is the first \$15,000 of the total annual benefits paid and the accumulated supplemental pension amounts for prior years.

Termination Benefits — Any member who terminates employment prior to retirement will be entitled to a refund of contributions without interest.

Refunds — Any member who terminates from their department without receiving a retirement pension shall be refunded all deductions made from his salary, without interest.